

Outlook of rural businesses amid the COVID-19 pandemic, first quarter 2021

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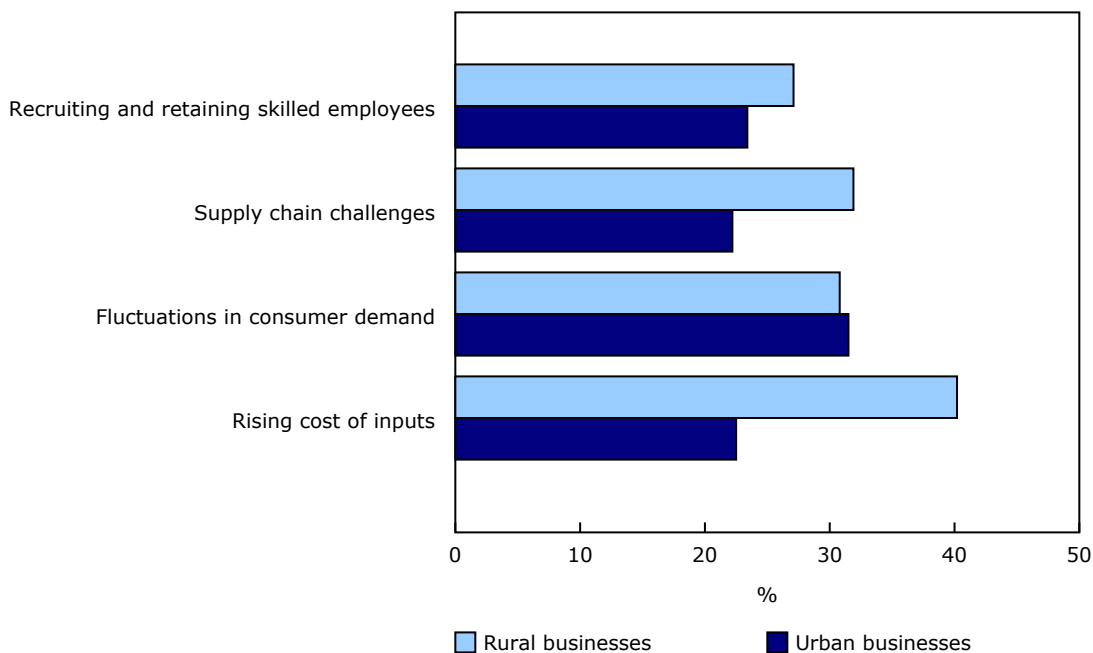
The impacts of the COVID-19 pandemic on rural businesses and their outlook going forward vary by industry. Over the course of the pandemic, many rural businesses have been forced to close down temporarily or remain partially operational.

Businesses in rural areas expected to face several obstacles over the next three months (see the note to readers). At the same time, over two-thirds had no plans to sell, close or transfer ownership within the next year.

Rising cost of inputs the most common short-term obstacle for rural businesses

The most commonly expected challenges for rural businesses over the next three months were the rising cost of inputs, supply chain challenges, fluctuations in consumer demand and the ability to recruit and retain skilled employees.

Chart 1
Top four obstacles for rural businesses over the next three months



Note(s): Urban businesses are provided for comparison only and may not have the same top four obstacles as rural businesses.

Source(s): Canadian Survey on Business Conditions (5318), first quarter of 2021.

The rising cost of inputs was the most common concern for rural businesses. Nearly 40% of rural businesses foresaw this obstacle, about twice the share for urban businesses. Furthermore, in both rural and urban areas, around one-fifth of businesses expected to have layoffs within the next 12 months, while one-half were uncertain as to when they might have to lay off employees.



Rural businesses not keeping up with counterparts in urban areas in shifts to telework and online sales

Teleworking was a possibility for 17.5% of rural businesses, while nearly twice that proportion of urban businesses (35.1%) offered this option. Similarly, 6.3% of rural businesses made 30% or more of their sales online in 2020, just under half the rate of urban businesses (13.2%). In 2019, these shares were 4.2% for rural businesses and 8.9% for urban businesses.

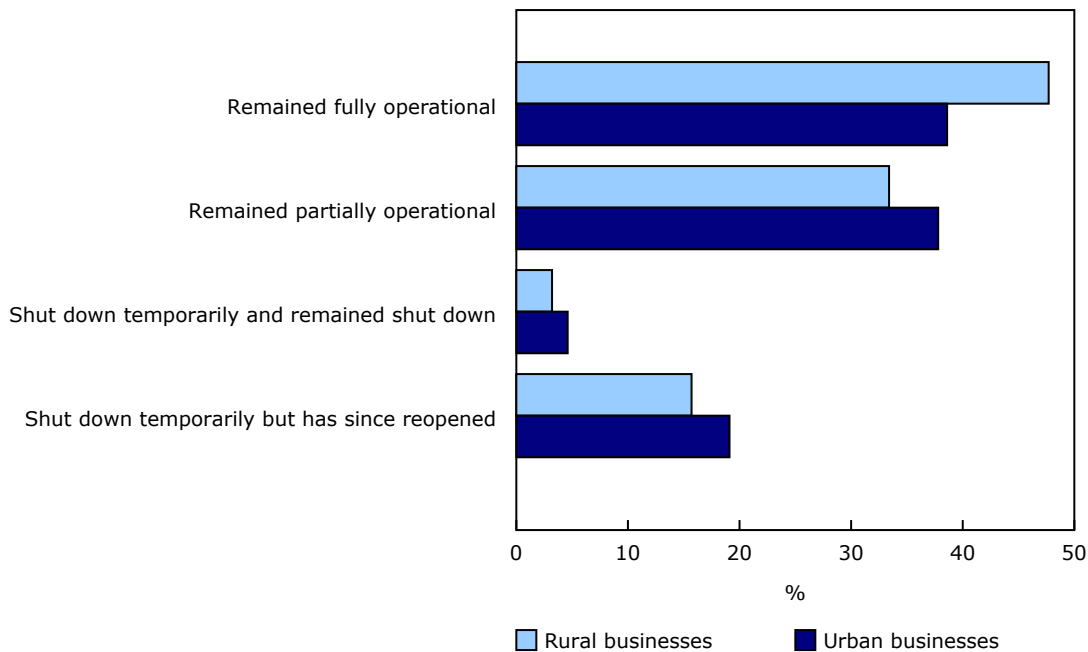
Most rural and urban businesses not planning to close within the next year

Nearly 70% of rural and urban businesses had no plans to sell, close or transfer ownership within the next 12 months. In some industries, rural businesses are significantly more likely than urban ones to plan to sell, close or transfer. The most marked differences were in arts, entertainment and recreation (33.6% of rural businesses versus 4.9% of urban businesses), accommodation and food services (21.8% of rural businesses versus 8.6% of urban businesses) and real estate and rental and leasing (20.2% of rural businesses versus 6.0% of urban businesses).

Rural businesses more likely to have remained operational

More rural businesses have been able to remain fully operational during the pandemic (47.7%) compared with their urban counterparts (38.6%). Businesses in accommodation and food services, and arts, entertainment and recreation were the least likely to have remained fully operational in both rural and urban areas. This is in keeping with the fact that industries that have a greater reliance on in-person activities are more susceptible to some form of closure during the pandemic.

Chart 2
Operating status of businesses during the COVID-19 pandemic



Source(s): Canadian Survey on Business Conditions (5318), first quarter of 2021.

Rural businesses less likely to post lower revenues in 2020

Less than half of rural businesses (45.8%) recorded an annual decline in revenue of 10% or more in 2020 compared with over half of urban businesses (57.4%). Urban businesses were more likely than rural ones to see their revenue decrease by 10% or more in all industries, except arts, entertainment and recreation, and finance and insurance.

Wholesale trade recorded the greatest rural–urban difference, with 31.3% of rural businesses posting a decline in revenue of 10% or more, compared with 58.9% of urban businesses. Administrative and support, waste management and remediation services also posted wide differences, with 36.7% of rural businesses and 58.5% of urban businesses recording declines in revenue of 10% or more. In retail trade, 34.3% of rural businesses and 55.7% of urban businesses reported declines of 10% or more.

Note to readers

This study focusses on businesses in rural areas, using first quarter 2021 results from the Canadian Survey on Business Conditions. The study is based on Statistics Canada's Standard Geographical Classification 2016, according to which businesses located in either census metropolitan areas or census agglomerations are classified as "urban," while all other businesses are classified as "rural."

This survey was conducted by Statistics Canada from January 11 to February 11, 2021, to develop a wide-ranging understanding of the current practices of businesses and of their expectations moving forward, together with how the ongoing pandemic has been affecting businesses. When respondents were asked questions pertaining to their expectations over the next three months, that three-month period could range from January 11 to May 11, 2021, depending on when the business responded. Similar date ranges apply to questions pertaining to expectations over the next 12 months.

Definitions, data sources and methods: survey number [5318](#).

The full article, "[Outlook of rural businesses and impacts related to COVID-19, first quarter of 2021](#)," is now available as part of the series *StatCan COVID-19: Data to Insights for a Better Canada* ([45280001](#)).

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca).